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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/02/09

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ARTICLES:

- (1) Government to unroll "New Deal Plan," focusing on job creation, medical services and nursing care

The full contents of a plan the government is drafting in order to deal with the rapidly worsening employment situation was revealed on Dec. 31. It is tentatively called the "Employment New Deal Plan." The plan will undertake to create jobs in specific occupational areas, such as by assisting individuals to obtain credentials to work in the medical services or nursing care fields, in which there are now shortages of employees. To tackle the problem of rapidly growing unemployment among non-permanent employees, the government is considering revising the legal system in order to protect their right to work, centering on such programs as cash payments to cover job training-related expenses and expansion of assistance to cover living expenses during the training period, and the terms of employment.

The plan would increase temporary jobs in administrative offices of the central and local governments, as well as reopen and expand the so-called "green jobs" that would nurture a corps of workers to shoulder responsibility in the forestry industry.

In order to prevent companies from going bankrupt, the main cause of rapidly growing unemployment, there would be assistance to companies to revive their businesses, and subsidies would be included in the measures to cover occupational training expenses through unemployment insurance available to workers who have lost their jobs.

In addition, in order to balance the load of working and raising

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children, income subsidies to persons taking leave to raise children -- now limited to a maximum one and half year and 30 PERCENT of one's salary - would be raised in stages, the aim being to enhance the system of taking leave in order to rear children.

Combined with the simultaneous establishment of an industrial revival organization, the government also is considering restarting the program of providing concentrated assistance to revive jobs lost at companies and to unemployed workers. The program ended in September 2008. The government in Dec. 2008 came out with a package of measures to prop up jobs of 1.4 million workers. However, the new measures being planned have the characteristic of strategically creating jobs.

The government intends to compile by this spring in the Council on Economic and Fiscal Policy (CEFP, chaired by Prime Minister Aso) a package of specific measures of a "future development plan" that would focus investment in seven growth areas. This package will become the main pillar for the new jobs-creation plan. Fiscal resources would come from the economic emergency-response reserves included in the fiscal 2009 national budget bill. The government is also considering obtaining a portion from the allocations in the fiscal 2009 supplementary budget.

(2) Prime Minister Aso resolves in New Year's statement to put effort into measures to stimulate the economy

Prime Minister Taro Aso has issued a New Year's message dated Jan. 1. In it, he stressed his government's intention of putting every effort into devising measures to revive the economy that has been hit by the global financial and economic crisis. The prime minister stated: "The government will expend all efforts to remove the nation's anxieties about the economy and peoples' livelihoods. Japan will become the first country in the world to emerge from this recession." He expressed his personal resolve by stating, "I will never run away (from this task). Together with the people of this nation, we will move ahead steadily." He sought to rouse the nation by further stating: "We cannot be passive. In order to shape a hopeful future, we must make it happen."

The statement continued: "The Japanese people until now have upheld

this country Japan by their own choices and efforts. They have developed this country, while changing it. We must continue to have a country that is strong and bright." He also expressed his hopes toward the future by using his pet phrase, "Japan's deep strength."

The prime minister's message, in contrast to those of other premiers in recent years, did not refer to specific policies, such as in foreign affairs or education. The characteristic of his statement was his placing weight on moral arguments.

(3) Prime Minister Aso asks Israeli premier to halt Gaza strikes

NIKKEI (Page 2) (Full)  
January 1, 2009

Prime Minister Taro Aso on the afternoon of Dec. 31 held an approximately 30 minute telephone conversation with Israeli Prime

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Minister Ehud Olmert. In it, Prime Minister Aso expressed regret about the situation of civilians also being killed or wounded by Israeli military air strikes in the Gaza Strip of the Palestinian autonomous territories. He also asked Israel to swiftly halt the attacks.

Commenting on Japan's humanitarian assistance to the Gaza Strip, Prime Minister Aso informed Prime Minister Olmert: "We are starting talks with the Palestinian Authority and relevant international organizations. He requested that Israel carry out assistance, such as bringing in relief goods, and he urged the continuation of peace negotiations.

Prime Minister Olmert indicated his intention to cooperate by providing humanitarian assistance, adding, "In order to restore peace, we would like to cooperate with the international community, including Japan."

(4) Prime Minister Aso to probe into possibility of Diet dissolution after budget is passed; 871 plan to register as candidates in Lower House election

TOKYO SHIMBUN (Page 1) (Full)  
January 1, 2009

With the terms of the House of Representatives legislators set to expire in September, Prime Minister Taro Aso (president of the Liberal Democratic Party (LDP)) intends to seek the right timing for dissolving the lower chamber in the spring or later, following the passages of the second fiscal 2008 supplementary budget and the fiscal 2009 national budget, which is the largest one on record. The budgets will be passed within the current fiscal year that ends March 31.

In the regular Diet session that convenes Jan. 5, the second fiscal 2008 supplementary budget and the fiscal 2009 regular budget will be deliberated on in turn. The prime minister has a strong desire to see them passed expeditiously. (TN: Another news article has the two budgets being deliberated in tandem.)

In response, the opposition Democratic Party of Japan (DPJ) has adopted a policy course of taking a strong confrontational stance against the ruling camp in order to press for an early dissolution of the Diet. At the beginning of the regular Diet session, the DPJ will submit a bill to remove from the second supplementary budget allocations for a cash payment scheme to workers. The cash payment idea has been sharply criticized by the public. The DPJ will urge the ruling camp to adopt its bill.

Centering also on budget deliberations, the DPJ has taken a stance of trying to shake the administration, while eyeing carefully the mood of the public toward its Diet tactics. One possible tactic is to drag out adoption of the budgets in the Upper House, which the opposition controls.

The prime minister has lost the ability to unify his party, mainly

due to his cabinet's support rates having fallen sharply in the polls, so it is unclear whether he will be able to pass the two budgets as planned.

A number of LDP lawmakers, such as former Administrative Reform Minister Yoshimi Watanabe, have stepped up their criticism of the

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prime minister, and depending on the situation, the administration could find itself in a deadlocked situation.

There is also the possibility of an agreement on Diet dissolution being reached by talks with the DPJ in return for the opposition's letting the budgets be passed smoothly.

On the other hand, according to this newspaper's compilation as of Dec. 31, a total of 871 persons are expected to declare their candidacies to run in the next Lower House election, including small district seats and proportional representation seats. Of the 300 small district seats, the LDP will support candidates in all but 8 districts in which coalition partner New Komeito plans to run candidates, and in the Hiroshima 6 district, where the situation remains unsettled.

The DPJ has informally selected candidates to run in 264 election districts, with direct clashes with the LDP expected in 257 of them.

(5) Opinion poll on where our lives are headed finds 52 PERCENT pessimistic about long-term future, 80 PERCENT strengthening defense against future by being frugal

TOKYO SHIMBUN (Page 3) (Full)  
January 1, 2009

The Japan Research Institute, of which this newspaper is a member, carried out a national opinion survey on a direct interview basis on Dec. 6-7 last year on the theme, Where is our lives headed? The poll found 52 PERCENT of the nation believing that their lives would "become worse" or "somewhat worse" ten years from now. This is a 14-point jump from the result found in the previous similar poll in Sept. 2003, indicating that people now have increased qualms about their future livelihoods.

The survey also found that 80 PERCENT of the public are cutting daily living expenses "very much" or "to a certain degree." This result shows vividly that people are scrambling to defend their lifestyles.

Regarding their current lives, only a total of 11 PERCENT of the public replied that things were "getting better" or "somewhat better." Another 32 PERCENT said that nothing has changed. But 56 PERCENT replied that their current lives "have become worse." Compared to the previous survey, there was a three-point drop in those seeing improvement, while the percentage of those experiencing a worsening of their daily lives was about the same.

Asked about what life would be like 10 years from now, only 12 PERCENT felt that things would "get better" or "somewhat better." This is an eight point drop from the last survey. Another 33 PERCENT felt their lives would not change. This is a five-point drop from before. However, 52 PERCENT felt that things would "get worse" or "somewhat worse," a major increase from the last survey.

If the respondents who answered that their lives would get worse are broken down by age, those in their twenties and thirties fell below 50 PERCENT, but for people in their fifties, the number reached 60 PERCENT, and for those in their 60s, it was 56 PERCENT. So for middle to advanced aged people, there was a noticeable pessimism about their future lives.

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Asked for the reasons why they felt their lives would get worse

(multiple answers), the most picked response with 57 PERCENT of the respondents was "tax and social security expenditures will rise." Next, with 46 PERCENT of the public, was "my income will drop," followed by 28 PERCENT who picked "social welfare situation will worsen." For people in their twenties, the most chosen response with 42 PERCENT was "employment will get worse," reflecting the expansion of feelings of anxiety about their careers. Those in their fifties and sixties picked income, 52 PERCENT and 60 PERCENT respectively felt similar anxieties.

Asked to give specific examples of cost cutting (multiple answers), 37 PERCENT of the respondents picked clothing, as well as hobbies and leisure pleasures. The next favored answer was food expenses, with 35 PERCENT of the public, after which came utilities costs with 21 PERCENT. The answers showed clearly that people are cutting daily living expense as much as possible.

On the question of what policies should be chosen to improve the economy and consumption (multiple answers), 54 PERCENT chose "improving pensions," 45 PERCENT went for expanding medical and nursing care, and 25 PERCENT wanted tax cuts.

The questionnaire also asked what policy measures were needed to maintain the vitality of the society in the future (multiple answers). The most frequently picked answer with 48 PERCENT was "an environment that is easy to work in." Next, with 46 PERCENT of the public, was the answer, "improve the social welfare system so that everyone contributes his or her fair share." The answer show strong calls for a stable social security system over short-term policy measures to cut the burden.

(6) Government speeding up investment-agreement negotiations, with consideration being given to over a dozen countries, particularly in the Middle East and Africa; Aim is to secure natural resources and food

NIKKEI (Page 3) (Abridged)  
January 1, 2009

The government will speed up negotiations to sign bilateral investment agreements with other countries that will strengthen economic cooperation ties. The aim is to secure natural resources, as represented by oil and natural gas, and basic food staples, such as wheat. The government is concentrating in particular on signing such accords with countries rich in natural resources in the Middle East, Africa, and South and Central America, as well as food producing countries. In addition to Qatar, Colombia, and Afghanistan - countries with which negotiations will start in 2009 - countries being considered as subject to signing such a treaty will be increased one after the other to a planned goal of over a dozen. In addition to assisting the resource development planning of Japanese companies and expanding trade, the pacts will bring investments into Japan by companies of the countries signing bilateral investment treaties with Japan.

Investment agreements are accords that set rules to protect and liberalize investments by one country in another country in order to remove or ease restrictions that would harm foreign companies investing in the other country. Such treaties include provisions that give foreign companies the same treatment as domestic firms in

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that country. Japan has concluded such pacts with 15 countries and regions, including China, South Korea, and Russia. In addition, negotiations are going one with one country and one region. There are also cases of essentially the same contents being contained as an "investment chapter" in an EPA (Economic Partnership Agreement).

In newly emerging countries and developing countries, when Japan wishes to sign an EPA, which puts pressure on that country to liberalize in a wide range of industrial areas, many cautious views in that country emerge, the fear being that domestic industries will be dealt a blow. In dealing with such countries and regions, priority will be given to signing first an investment treaty.

Investment agreements all over the world now total 2,500. Japan therefore is far behind other countries in the West in signing such pacts. An EPA requires several years to complete from start of negotiations to signing the agreement, but an investment treaty can be nailed down by negotiations in less than a year. The thinking now is to strengthen relations with each country by rushing ahead with such agreements.

There are already many countries in Asia that have investment agreements and EPAs and the like. For that reason, Japan is considering giving priority to negotiations with such countries in other regions as the UAE, Oman, and Bahrain. There are many countries in the Middle East into which Japanese companies have advanced. Reportedly, requests for an investment treaty have gone out to Oman, Bahrain, Libya and other countries in that region.

The Foreign Ministry and the Ministry of Economy, Trade and Industry last December created an "External Investment Strategy Council." It has participation by the private sector, such as the Japan Business Federation (Nippon Keidanren), and the Nippon Export and Investment Insurance (NEXI), as well as the Japan Finance Corporation. In the same council, many views are coming out for promotion of investment agreements with countries in the Middle East and other regions. By combining investment agreements with other policy tools such as trade insurance and official development assistance (ODA), relations with those countries can be further strengthened.

(7) Interview with LPD Secretary General Hiroyuki Hosoda: Decision on Diet dissolution will come in the spring or later

NIKKEI (Page 2) (Excerpts)  
January 1, 2009

The regular Diet session will be convened on Jan. 5. We asked senior party officials in the ruling and opposition camps of their outlooks for maneuvers expected that will lead up a Lower House election. We start with Liberal Democratic Party (LDP) Secretary General Hiroyuki Hosoda.

-- What is the strategy for an early passage of the second supplementary budget for fiscal 2008, the fiscal 2009 national budget, and bills connected with the budgets?

"Since it is a 14-month budget in order to get us out of recession, it must be passed without delay. During ordinary times, when the Budget Committee is in session, the bills related to the budget bill are not deliberated on, but it would be only natural to deliberate on the budget in the Upper House Budget Committee during the day and

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on the relevant bills during the evening."

-- The opposition camp is demanding that the money for the cash payment program be cut out of the second supplementary budget.

"The cash payment plan is essential as an economic stimulus measure. We have no intention of changing it. The biggest problem of the recession is that people are saying because the economy is bad, they won't travel or buy things. It is important for them to feel at least a little warmth in their hearts."

-- There is a possibility of the bills related to the budget having to be approved by a two-thirds Lower House vote override. If there are 17 from the ruling camp who rebel, the bills will not pass the Diet.

"I cannot conceive at all of anyone rebelling. If we split apart, we will indeed lose in the election. The sense of crisis overall is even more serious than it was at the time of the vote on postal privatization."

-- What about the timing of the dissolution of the Diet and the snap election that would follow?

"When we have a clear picture that the budget and essential bills will pass, we can think about such. It is Prime Minister Aso's

decision as to whether it would be better to seek the public's will as soon as possible after the budget passage from April, or whether the summer or fall would be better."

-- Is there a possibility of Diet dissolution by talks between the two camps, or a cabinet to manage the election?

"Inconceivable. We have the responsibility of making policies that we think are correct."

-- What will be the campaign issues going into the next Lower House election?

"We will ask the people's judgment on the policies of the coalition government of the LDP and New Komeito. The budget bill will place at our disposal maximum policy tools, such as a regional package and countermeasures to fight the recession. I can't think of anything more we can do to fulfill the government's responsibility."

ZUMWALT